



Publication

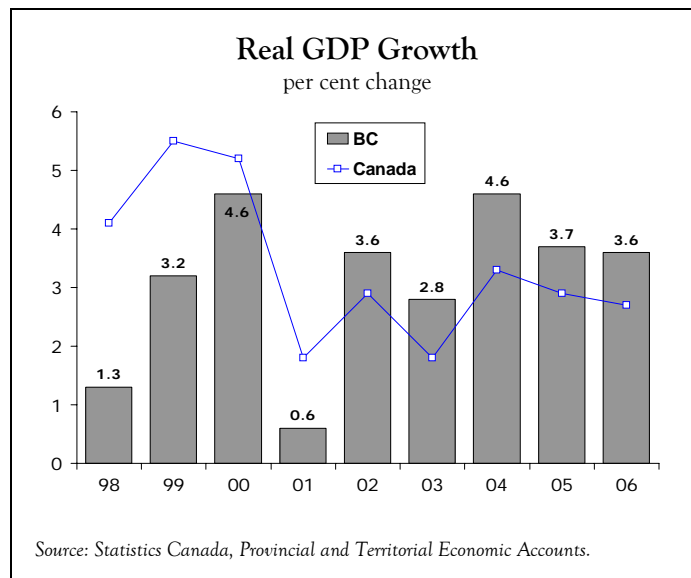
B.C. ECONOMIC SNAPSHOT

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BC ECONOMIC UPSWING TRANSLATING INTO STRONG INCOME GROWTH

Statistics Canada's annual release of its Provincial and Territorial Accounts confirms that BC's economy remains on a solid growth footing with another above-average performance in 2006. The provincial economy expanded by 3.6% (after inflation) last year, slightly below 2005's 3.7% increase, thus extending the strongest economic expansion in at least three decades. Among the ten provinces, BC ranked second (to Alberta) in boosting real GDP and easily beat the national growth rate (2.7%) for the fifth straight year.

Bolstered by a hot job market and the biggest jump in incomes in 16 years, BC consumers played a central role in last year's economic advance. Personal consumption (which amounts to nearly 65% of GDP) climbed by an impressive 5.3%. The rise in spending was led by gains in the durable and semi-durable goods categories, as British Columbians spent heartily on new furnishings, appliances and other home-related items and purchased new cars in record numbers.



Business investment was also a key factor in the expansion. With the abundance of construction sites across the province, it is not surprising that spending on non-residential structures was up nearly 10% from 2005. Investment in new machinery and equipment also rose 15%, following an even larger increase in 2005. Higher investment bodes well for BC's longer-term prosperity as it reflects both a rise in number of businesses as well as stepped up spending on productivity-enhancing machinery and equipment.

If there was a soft spot among the major components of GDP in 2006 it was on the trade front. Export growth slowed to just 2.4%, due in part to weakness in the forest sector (especially lumber). At the same time, strong consumption and investment spending drove the value of imports 6.3% higher, meaning that on balance external trade acted as a significant drag on overall growth.



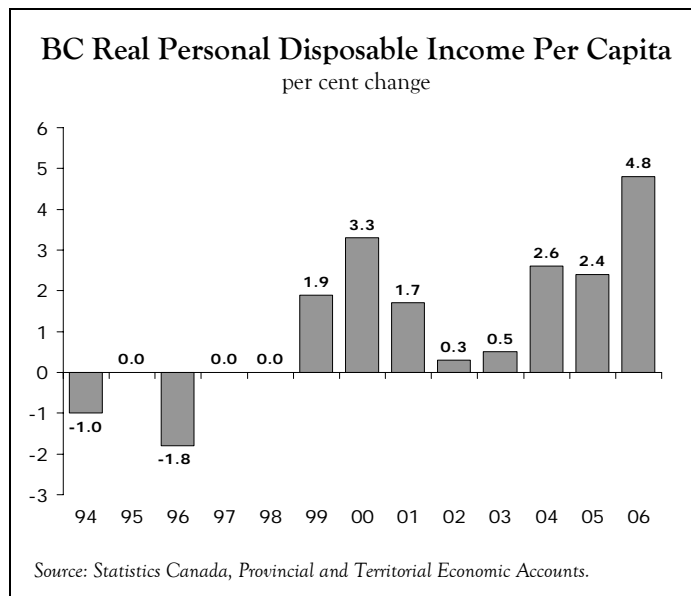
Among individual industries, construction, parts of manufacturing, and retail and wholesale trade were all growth leaders in 2006. While BC lumber manufacturers struggled in the face of falling US housing starts and a stronger Canadian dollar, many of BC's smaller manufacturing industries had a good year. Aerospace products, pharmaceutical manufacturing, ship and boat building, computer and related equipment manufacturing, metal products and electronic components all ranked among the province's fastest growing industries last year. As the investment figures suggest, construction also made an important contribution to BC's economic expansion. The retail trade and transportation and warehousing industries also posted above average growth.

While the province's economy is performing well, of greater significance to individuals is that this is translating into higher incomes. On a per person basis, personal disposable incomes in BC surged 6.2% in 2006. This follows back-to-back increases of roughly 4% in 2004 and 2005. As a result, per capita after tax income in BC is now 15% higher than three years ago.

Gains of this magnitude mean that even after accounting for inflation, British Columbians are enjoying the largest real increases in disposable income (4.8% last year and 10% over the past three years) in almost two decades.

Looking ahead, 2007 is expected to bring another year of solid growth for BC, with real GDP advancing at a pace similar to last year. Strong job and income growth will continue to support household consumption, while

healthy business investment, an array of large infrastructure projects, and preparations for the 2010 Olympics will bolster construction activity. The consensus forecast calls for real GDP to advance by 3.6% in 2007. We see some chance that the export sector may be weaker than many forecasters are anticipating, in which case economic growth could fall a bit short of the current consensus outlook. But even with slightly slower growth, BC is set to continue outperforming the Canadian benchmark by a substantial margin.



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